

BENISCH & COMPANY
Insurance

August 10, 2005

Ms. J.J. Farrar
BEM Systems, Inc.
7500 N. Dreamy Draw Drive – Suite 232
Phoenix, AZ 85020

Re: State of Arizona
Pollutants Solicitation

Dear Ms. Farrar:

Further to our conversation, we submit the following:

Page 20 and 21 – Minimum Scope and Limits of Insurance

1. Commercial General Liability – Occurrence Form

Limits, coverages and extensions can be obtained with exception of Oral Blanket Contractual – must be written contracts.

- a. Additional Insured – Okay, can be obtained.
- b. Waiver of Subrogation – Okay, can be obtained.

2. Automobile

Limit and additional Insured wording – Okay, can be obtained.

3. Worker's Compensation

Employers Liability Limit for Disease Policy Limit must be combined with Umbrella to obtain the \$1,000,000 requirements.

Waiver of Subrogation can be obtained if allowable by State law.

4. Professional Environmental Liability

- a. Limits – Okay, can be obtained
- b. Retro Date – Okay, prior to contract date can be obtained.

The two (2) year discovery period is not an Insurance issue and can not be addressed. It is a business decision.

SPECIALISTS TO COMMERCE AND INDUSTRY

345 EISENHOWER PARKWAY, LIVINGSTON, NEW JERSEY 07039-1722 / (973) 992-6300 / FAX (973) 992-6666

BENISCH & COMPANY
Insurance

Page 2 – J.J. Farrar
August 10, 2005

Page 22 of 22

B – Additional Insurance requirements

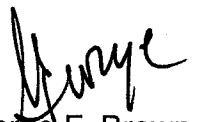
1. Names and Limits – Okay, can be obtained.
2. Primary – Your Insurance is Primary for you the named Insured, all policies have built-in wording
3. Limits and Indemnification Provisions – The full policy limits would apply if it were determined you were negligent and are responsible for an occurrence within the policy provisions.

C – Notice of Cancellation

1. Professional Insurance – Can be endorsed to include this wording.
2. The Chubb Group – The carrier providing General Liability, Automobile and Worker's Compensation will not grant this extension. We can, however, provide alternative wording that BEM Systems, Inc. will.

Very truly yours,

BENISCH & COMPANY


George F. Brown X-380
GFB/sb

SPECIALISTS TO COMMERCE AND INDUSTRY

345 EISENHOWER PARKWAY, LIVINGSTON, NEW JERSEY 07039-1722 / (973) 992-6300 / FAX (973) 992-6666